State of the Minnesota Business Climate

Business Law Institute
Minneapolis, Minnesota
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Exhibit A

Characteristics gauging economic health in Twin Cities 16-county area:

- 2016 Unemployment rate: 4.2%
- 2016 Average wage level: $25.70/hour
- Average age of population: 36.6 years old
- Population growth: 5.6% from 2010 to 2015
- Total Job Growth (01/2016-01/2017): 2.1%
- Education level of workforce: 39.8% with Bachelor's

Sources: Bureau of Labor Statistics, United States Census Bureau

Exhibit B

Demographic and Economic Profile, By Region of Minnesota					
	Central	Northeast	Northwest	Southeast	Southwest
Population Growth 2000-2015	21.5%	1.2%	6.4%	9.1%	-0.7%
Percent of Pop. Age 25-64	52.1%	51.6%	49.5%	51.2%	49.4%
Unemployment Rate*	4.1%	5.3%	4.6%	3.4%	3.7%
Educational Attainment** 25+	22.4%	24.4%	21.7%	28.1%	21.6%
Median Hourly Wage	$16.90	$16.61	$15.90	$17.77	$15.98

*2015 **Bachelor's Degree or higher

Source: Minnesota Department of Employment and Economic Development

Exhibit C

Year-Over-Year Population Change in Midwest's Top 10 Largest Metropolitan Statistical Areas					
		July 1, 2015	July 1, 2016	Population +/-	Percentage Change
1	Chicago, IL-IN-WI	9,532,569	9,512,999	-19,570	-0.21%
2	Detroit, MI	4,297,538	4,297,617	79	0.00%
3	**Minneapolis-St. Paul MN-WI**	**3,518,252**	**3,551,036**	**32,784**	**0.93%**
4	St. Louis, MO-IL	2,808,330	2,807,002	-1,328	-0.05%
5	Cincinnati, OH-KY-IN	2,155,392	2,165,139	9,747	0.45%
6	Kansas City, MO-KS	2,084,464	2,104,509	20,045	0.96%
7	Cleveland, OH	2,059,929	2,055,612	-4,317	-0.21%
8	Columbus, OH MSA	2,020,144	2,041,520	21,376	1.06%
9	Indianapolis, IN	1,986,542	2,004,230	17,688	0.89%
10	Milwaukee, WI	1,574,349	1,572,482	-1,867	-0.12%

Source: United States Census Bureau

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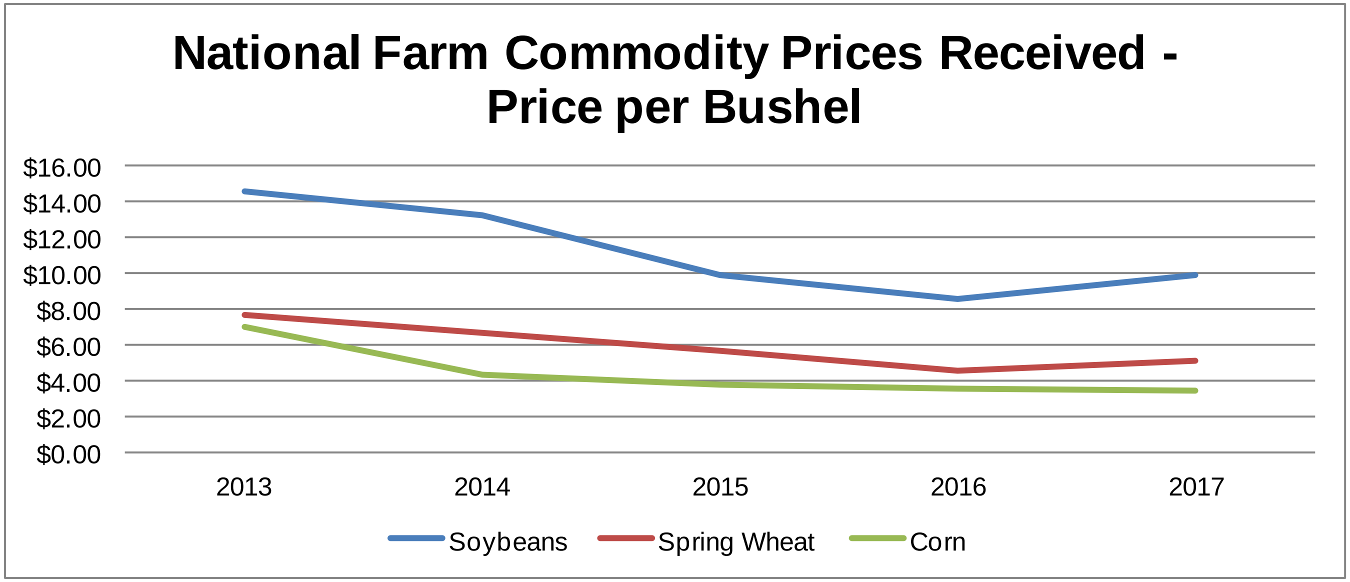
Exhibit C-1

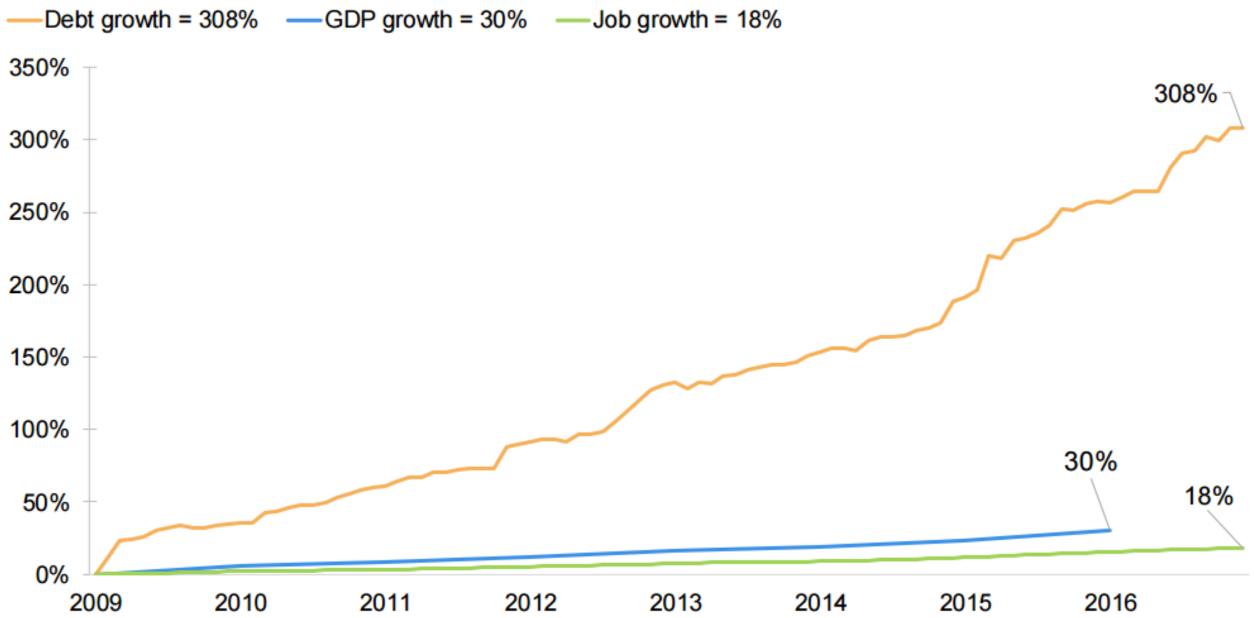


Source: U.S. Department of Agriculture. Data taken from February 28th of each year.

Exhibit D

Since 2009, Health Care corporations have added debt at a rate that far outpaces industry job and GDP growth, eclipsing the recent Financial/Energy sector booms.

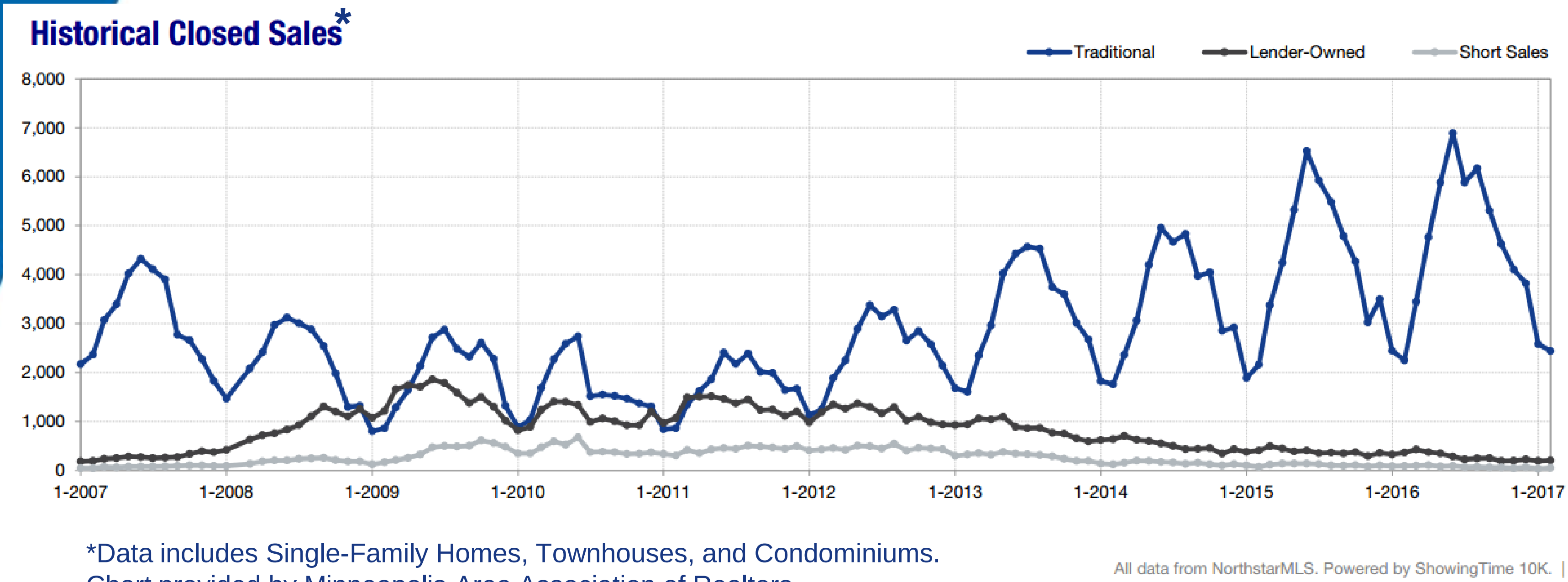
Health Care Sector Growth (2009–Current): Debt, GDP, Jobs



Note: GDP data at sector level is annual and only goes through 2015. Please see appendix for details on methodology.

Sources: John Burns Real Estate Consulting, LLC; Bank of America Merrill Lynch, BEA, BLS (Data: Dec-16, Pub: Feb-17)

Exhibit E



*Data includes Single-Family Homes, Townhouses, and Condominiums.
Chart provided by Minneapolis Area Association of Realtors.

Exhibit E-1

Annual Home Price Increases, March 2017

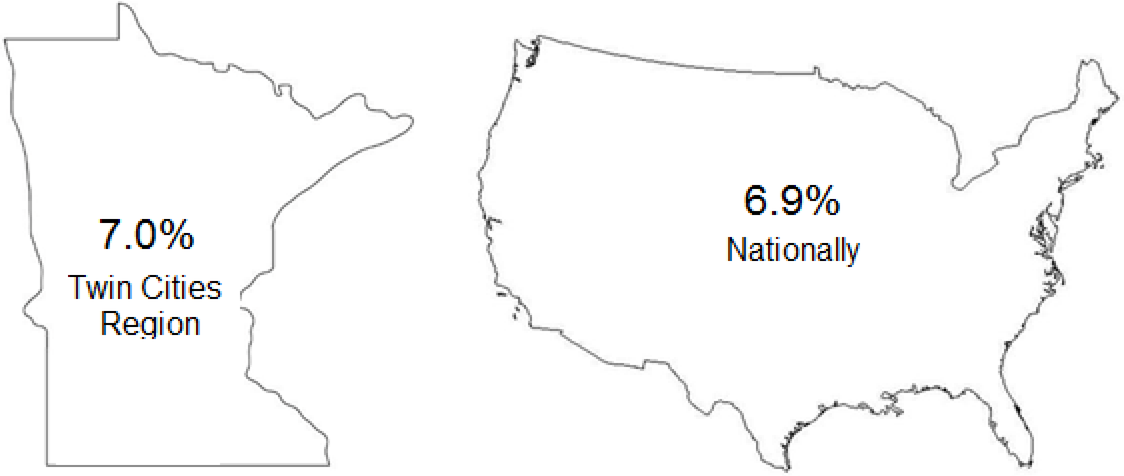


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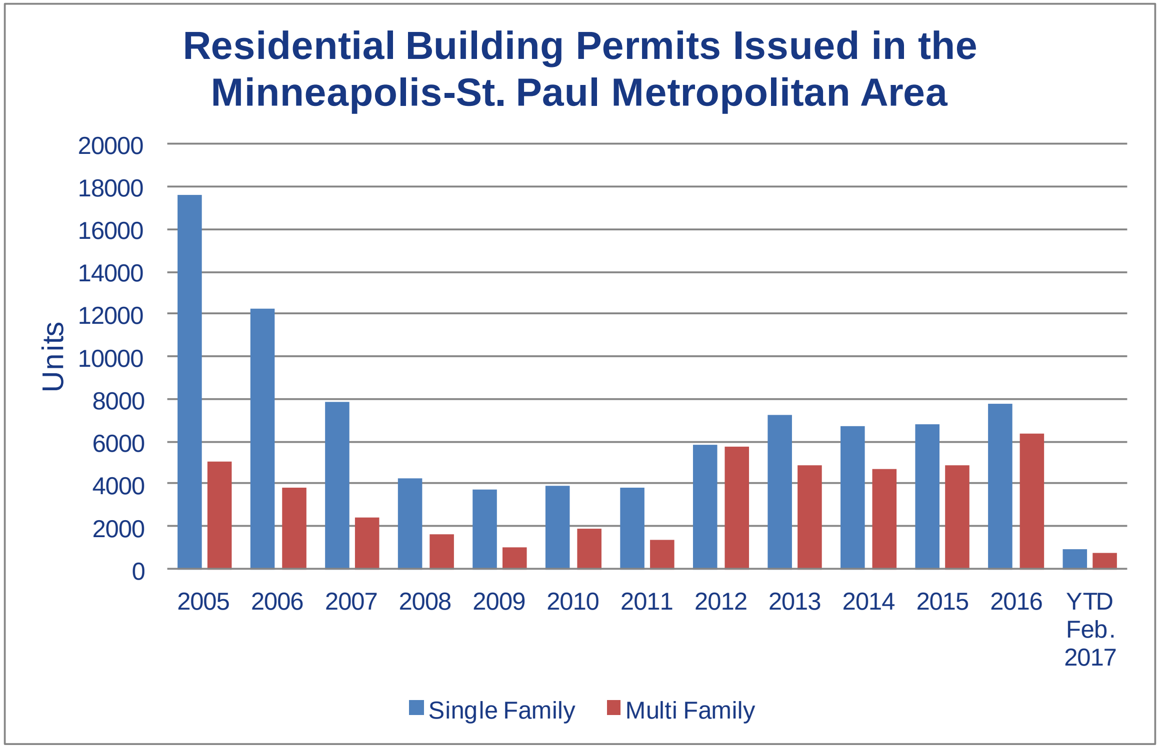
Exhibit F



Source: State of the Cities Data Systems,
United States Housing and Urban Development Office

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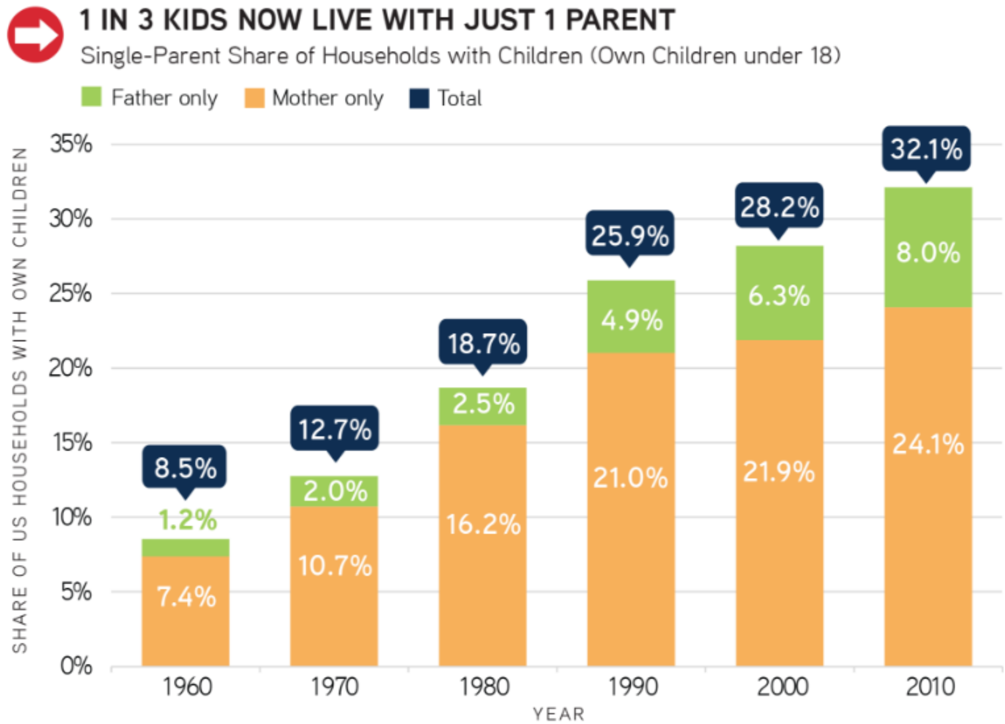
Exhibit F-1

Top Counties for Residential Building Permits Issued, 2016					
Single Family			Multi Family		
County	Permits	% Change*	County	Permits	% Change*
Hennepin	1,631	0.9%	Hennepin	3,779	37.0%
Dakota	1,102	17.2%	Ramsey	1,221	18.9%
Anoka	927	19.6%	Washington	454	65.1%
Washington	728	18.8%	Anoka	377	-52.6%
Wright	651	22.1%	Dakota	261	-28.7%

Source: State of the Cities Data Systems. *Year over year change from 2015

Exhibit F-2



Note: An unmarried partner could be helping raise kids. In joint custody situations, the child is counted at the residence where they live and sleep most of the time.

Source: John Burns Real Estate Consulting, LLC calculations of U.S. Census Bureau Decennial Census

Exhibit F-3

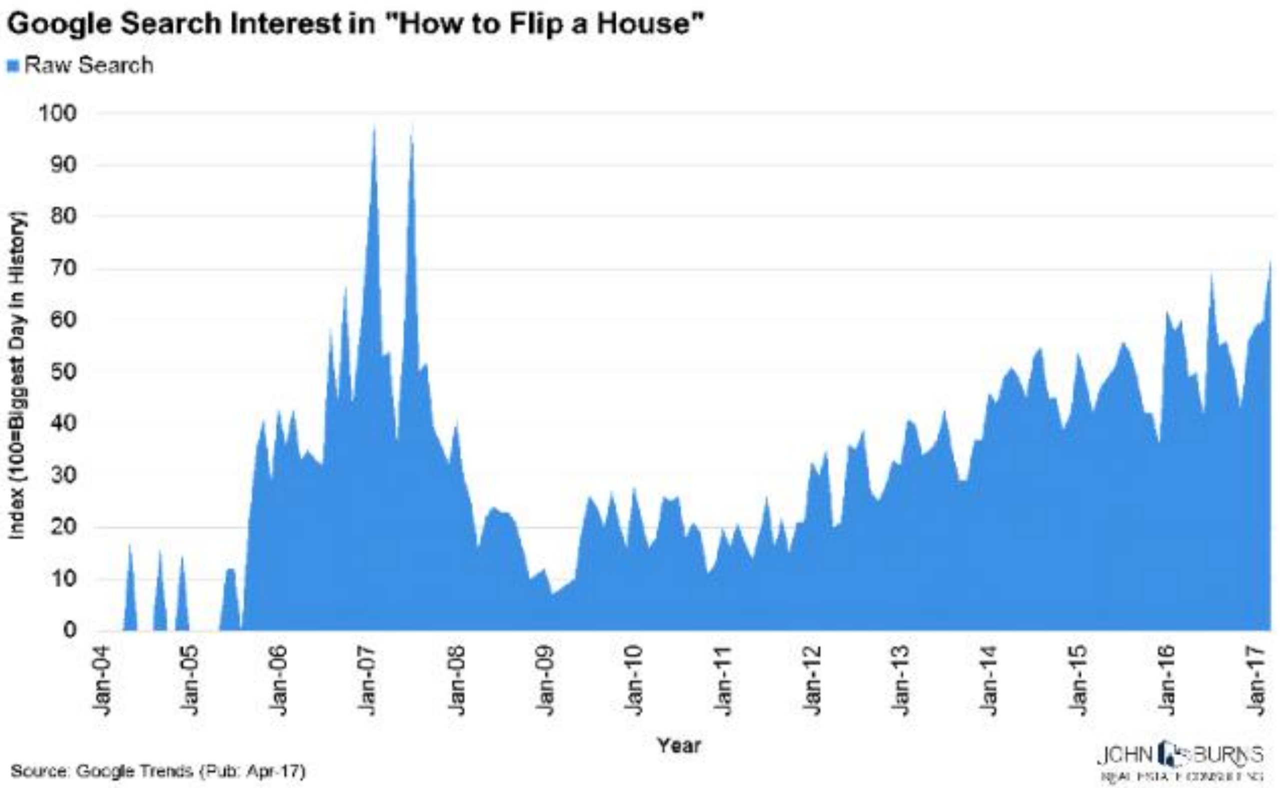


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Exhibit F-4

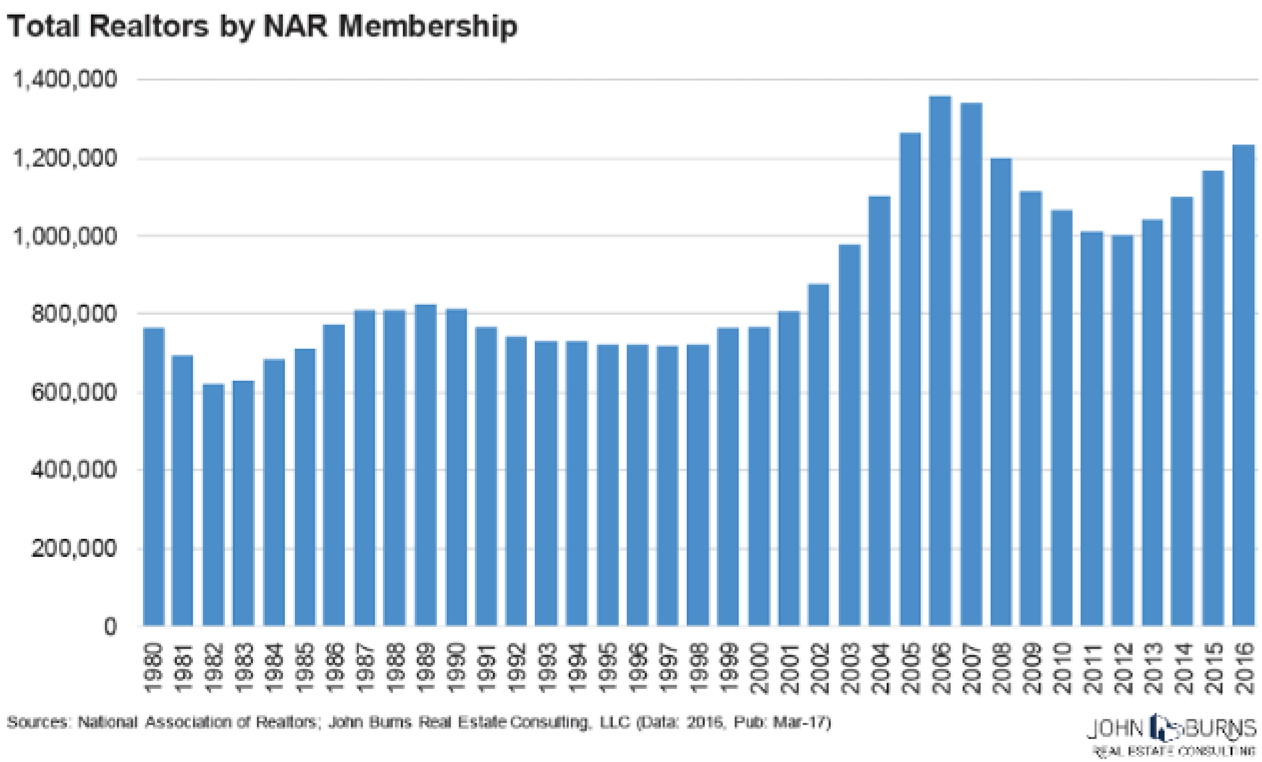
Total Realtors by NAR Membership
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
Sources: National Association of Realtors; John Burns Real Estate Consulting, LLC (Data: 2016, Pub: Mar-17)
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Exhibit G

Notable Apartment Developments - Under Construction			
Name	City	Units	Notes
365 Nicollet	Minneapolis	369	9,500 SF Retail, 430 Parking Spaces. Luxury Development
600 Washington SE	Minneapolis	431	10,500 SF Retail
Kraus-Anderson Block	Minneapolis	300	Development includes Hotel, Brewhouse, Office
East End	Minneapolis	180	Development includes Hilton Hotel, Trader Joe's
Variant	Minneapolis	144	14,000 SF Retail
Montage	Minneapolis	67	6,633 SF Retail, Underground Parking
Nordhaus	Minneapolis	280	22,000 SF Retail, 290 Parking Spaces
Rise at Prospect Park	Minneapolis	336	37,000 SF Retail (Fresh Thyme Farmers Market)
Revel	Minneapolis	125	Development includes ground-floor Target Store
Lincoln Drive Apartments	Edina	244	250 Parking Spaces

Source: Shenehon Research, Minneapolis-St. Paul Business Journal

Exhibit G-1

Notable Apartment Developments - Proposed			
Name	City	Units	Notes
Elliot Park Apartments	Minneapolis	246	2,000 SF Retail, 300 Parking Spaces
Superior Plating Phase 2	Minneapolis	250	2,200 SF Retail, Parking Garage
333 E. Hennepin	Minneapolis	~250	600 SF Retail
Prospect Park Senior Living	Minneapolis	285	6,200 SF Child Care Facility, 1,900 SF Retail
Weyerhaueuser	St. Paul	360	240 Senior units, 120 Workforce units.
Union Flats	St. Paul	217	Affordable units
LeCesse Apartments	Minnetonka	322	Luxury Units
729 Washington	Minneapolis	44	192,820 SF Office, 16,000 SF Retail, 408 Parking Spaces
The Gateway	Minneapolis	166	Development included 36 Condos and 288 hotel rooms
810 S 7th Street	Minneapolis	150	16,000 Sf Retail
205 Park	Minneapolis	115	7,200 SF Retail, 4 Town Houses. 20% of Units Affordable
Ironclad	Minneapolis	166	Development will contain Marriot Moxy hotel.
46th & Hiawatha	Minneapolis	146	50,000 SF Retail. 133 Parking Spaces
50th & France	Edina	131	Part of shopping district redevelopment
50th & Vernon	Edina	185	Luxury Senior Apartments
Quarry Road Mixed-Use	Eagan	279	183 Market units, 96 Senior units, 43,000 SF Retail, Hotel

Source: Shenehon Research, Minneapolis-St. Paul Business Journal

Exhibit G-2

Twin Cities Apartment Markets 1st Quarter 2017		
Downtown Minneapolis Avg. Rent: $1.69 Vacancy: 4.7%	**NonDowntown St. Paul** Avg. Rent: $1.15 Vacancy: 2.7%	**East Suburbs** Avg. Rent: $1.06 Vacancy: 1.9%
NonDowntown Minneapolis Avg. Rent: $1.39 Vacancy: 2.8%	**West Suburbs** Avg. Rent: $1.16 Vacancy: 2.4%	**Southeast Suburbs** Avg. Rent: $1.08 Vacancy: 1.7%
Downtown St. Paul Avg. Rent: $1.46 Vacancy: 7.3%	**North Suburbs** Avg. Rent: $1.15 Vacancy: 3.2%	**Southwest Suburbs** Avg. Rent: $1.15 Vacancy: 2.1%
Twin Cities Metro Area Avg. Rent: $1.22 Vacancy: 2.7%		

Source: NAI Everest 2Q 2016. Price shown per square foot.

Exhibit G-3

Multi Family Statistics for Outstate Cities

Rochester	St. Cloud	Duluth
Avg. Rent: $733	Avg. Rent: $643	Avg. Rent: $664
Rent PSF: $0.81	Rent PSF: $0.71	Rent PSF: $0.74
Vacancy: 5.8%	Vacancy: 7.1%	Vacancy: 7.1%

Source: United States Census Bureau - American Community Survey. Average apartment size is assumed at 900 sf.

Exhibit J

Real Estate Development Opportunities in 2017

- Small commercial neighborhood development
- Downtown residential condominium and townhouse development
- Mixed-use urban infill development with a strong residential component
- Urban retirement communities with the full continuum of independent living to dementia/hospice care
- Bargains in buying 2nd & 3rd Generation office buildings in the suburbs

Borrowing Opportunities for 2017

- Last opportunities to lock down rising long-term, fixed rate debt

Exhibit K

Real Estate Investments that Deserve Caution in 2017

•New, speculative office buildings whether in the City or Suburbs

•New and large apartment rental projects that will not come online for two-plus years

•Existing suburban malls and large commercial buildings (i.e. “big-box”)

•New hotel development

•Charter schools in Minnesota (some areas of U.S. offer great charter school investments)

•Vacation home buyers hit the “pause” button in 2016, according to the National Association of Realtors

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